

Creating an Ethical, Non-Intrusive
Native Advertising Model for Mustang News

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ABSTRACT

With the arrival of the digital age of journalism, the industry has seen massive changes in the past 10 years. Those changes extend to the financial operations of journalism as well, where advertisers have been forced to follow suit as readers' consumption habits move from print to digital. Traditional digital advertising solutions are not ideal for any party involved — they're intrusive for readers and ineffective for advertisers. Native advertising, an emerging source of revenue where advertising content is created to look like editorial content, is becoming a big part of the digital advertising equation for some media companies. This study investigates industry practices for native advertising, as well as how it's being perceived by readers, all with the goal of implementing it at the college level and providing a guide for any publication to implement native advertising.

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Chapter 1

Introduction

Statement of the Problem

Church and state are separate, but both have felt the effects of the digital age. The advertising and editorial operations of media companies — often described with the church and state metaphor — have been presented with new problems to solve, courtesy of the Internet. Just as the web has given reporters new ways to tell stories, it's given advertisers new ways to make money. One of those solutions is native advertising, where paid advertisements on news websites are designed to mimic the appearance of editorial content. It's hot, it's gaining popularity, and it's still very controversial. Native advertising marks an improvement over some existing digital advertising methods and is quickly becoming the norm for some of journalism's biggest names. Still, it has its fair share of issues. Because the paid content looks like a typical news story, readers feel taken advantage of. And the idea of a murky line between the traditionally isolated editorial and advertising operations doesn't sit well with many. Though native advertising has attempted to solve the journalism industry's revenue problem, its ethical questions and often misleading nature has left readers skeptical.

Background of the Problem

The digital age has changed the face of journalism, forcing reporters, advertisers and readers to adapt their approaches. On the readership side, online news consumption has spiked, with 50 percent of Americans — and 71 percent of 18-29-year-olds — getting their news online (Caumont). Advertisers have followed suit. Print newspaper advertising revenue has fallen by more than 50 percent since 2003, with online advertising doubling in the same timespan (Newspaper Association of America). That sounds like a positive change for advertisers, but a

closer look at the numbers reveals that online advertising only accounts for a fraction of newspapers' total revenue. In 2014, online advertising revenue was approximately \$3.5 million, while print advertising boasted a figure of \$16.3 million. Creating online ads clearly hasn't be so easy, with things like intrusive pop-up ads and distracting display ads making online news consumption a stressful experience. As Patrick Howe — an assistant professor of journalism at California Polytechnic State University, San Luis Obispo — put it, “Website ads fidget, interrupt and mislead. They're loud and ungainly. They fixate on things you may not care about and they sometimes spread viruses (Howe).”

Native advertising is a new solution to this problem, but the idea of native advertising isn't new at all. Newspapers in eras as early as the 1910s ran print “advertorials” with longform copy that showcased advertisers' stories in an editorial format (Manalo). Radio stations and TV programs hopped on the trend in the following decades, with brands sponsoring radio programs in the 1930s and “soap operas” of the 1940s earning their name because of prominent soap brands' sponsorships. Like so many elements of journalism, native advertising isn't new; it's just learning to play an important role in the changing landscape of digital media.

Purpose of the Study

The purpose of this study is to explore and understand native advertising from every angle, including ethics, opponents' viewpoints, models for implementation, labeling practices and an analysis of the content itself. Native advertising has the potential to be the strongest solution to journalism's ad problem, but it has yet to be mastered by any publication. The goal is to find the most effective solution for implementing native advertising on news websites, keeping advertisers, editors and readers all in mind.

Setting of the Study

This project will be conducted as a single-site case study at Cal Poly, using the university's student media organization — Mustang News — as the subject of this study. While Mustang News has dabbled in native advertising in the past, the organization hasn't made efforts to fully integrate sponsored content into its editorial and advertising models. Data collection methods will include interviews with Mustang News editors, advisors, clients and advertising reps. By the end of the study, Mustang News will hopefully have a native advertising solution that works well for every party involved.

Research Questions:

The following research questions were crafted to learn more about current native advertising practices in the industry, looking at specific elements to determine which practices work best. It was also important to address the editorial and readership side of the equation. The goal of these questions is in line with the goal of the study — figuring out what native advertising practices work best for every piece in the media puzzle.

1. How does native advertising compare to traditional advertising methods?
2. What are some problems with native advertising?
3. How do top national media companies incorporate native advertising?
4. How clearly labeled should native advertising be on news websites?
5. What types of native advertising content are considered ethical and credible?

Definition of Terms

The following terms are presented to the reader to assist in the comprehension of this study.

Native advertising: While native advertising is a concept still being defined, the basic, working definition is, “paid advertising where the ad matches the form, feel and function of the content of

the media on which it appears.” (Vinderslev) Native advertising is not limited to one platform. It can appear as advertorials in newspapers (defined below), funded programming on radio and television, and sponsored social media posts. However, for the purpose of this study, native advertising will be in the digital news context, when advertisements are designed to appear like editorial articles. Sponsored content and branded content are types of native advertising, and each are defined differently by various media companies. In this study, the terms will be used interchangeably with native advertising.

Advertorial: An advertisement that imitates editorial content (Merriam-Webster). The term typically describes print-based native advertising.

Editorial: The branch of a news organization that produces content without the influence of advertisers.

Click-through rates (CTR): “A ratio showing how often people who see your ad end up clicking it...the number of clicks that your ad receives divided by the number of times your ad is shown (Google).” The term is used in the digital advertising context.

Revenue: Money that is made by or paid to a business or organization (Merriam-Webster). The term should not be confused with profit, which indicates revenue subtracted by cost.

Chapter 2

Literature Review

This review of existing literature examines the popular new source of revenue called native advertising, including pros and cons, ethical questions, how it's being implemented today by some of the biggest publishers in the world and how it could be executed at the college level.

Native vs. Traditional Advertising

Despite the qualms over native advertising, there's a reason it's becoming so popular so rapidly. Ever since digital journalism became the norm, advertisers have struggled to maintain the revenue they once brought in during the print-only days. Standard digital display ads are intrusive and often ineffective — the standard click-through rate (CTR) is less than 1 in 1,000 (Chaffey). As a result, native advertising has presented a new and lucrative form of digital advertising at a time when media companies really need one. Desktop native click-through rates average .15 percent — more than double that of display ads — so it's no surprise advertising are hoping on the opportunity. BI Intelligence predicts that spending on native advertising will reach \$7.9 billion in 2015, and media companies are seeing the return on investment (Hoelzel). Native advertising made up around 10 percent of *The New York Times*' digital advertising revenue last year, which comes out to about \$18 million (Sebastian). Other publications see how profitable native is, and are charging big bucks to produce native as well. *Time Inc.* charges a minimum of \$200,000 per native advertising campaign, while *BuzzFeed* charges \$100,000 (Lazauskas).

Problems With Native Advertising

Native advertising has brought big changes to the world of digital media, and with change comes outrage. Though it represents a new and exciting source of revenue for brands and advertisers, it's readers who aren't as keen on native. "Last Week Tonight" host John Oliver is

one of those anti-native advocates. He ripped it apart on his Aug. 3 episode, calling “publishers’ embrace of native advertising a betrayal (Dumenco).” Legacy media lovers such as Oliver want a firm divide between a publication’s advertising and editorial staffs, what some call the separation of church and state. Or as Oliver says, “I like to think of news and advertising as the separation of guacamole and Twizzlers. Separately they’re good. But if you mix them together, somehow you make both of them really gross (Dumenco).”

But readers aren’t the only ones who should be concerned with native advertising. According to *Advertising Age*’s Simon Dumenco, it actually presents advertisers with problems as well. For starters, having advertisements living among editorial content makes it even harder to get noticed by readers — instead of just competing against other advertisements, they’re competing against other advertisements *and* news stories. Dumenco also questions whether certain brands would want to change their tone just to appear on certain sites, and whether they have any story to tell besides simply “buy this.” At the end of the day, they’re still advertisements (Dumenco).

Addressing The Problems — Models For Implementing Native Advertising

Some of the biggest names in media have addressed the advertising/editorial separation issue — *The New York Times*, *Time Inc.* and *BuzzFeed* are three publishers who have taken implemented models for native advertising. All three media companies have separate entities for creating branded content, thus maintaining the line between editorial and advertising. *BuzzFeed* has arguably tackled native advertising with unparalleled tenacity and volume — its team of 40 creatives creates branded content at a rate of about 40 stories per week (Moses). *BuzzFeed*’s entire business model is focused on sharable, clickable content, so using that same approach to native has worked well.

On the other end of the spectrum we have *The New York Times* and *Time Inc.*, two respected legacy media outlets who have adopted native practices more slowly. Still, we see a similar setup. Last year *The New York Times* launched T Brand Studio, its internal native advertising production team that consists of 37 people. As of July, T Brand Studio has executed 70 campaigns for 60 clients (Jackson). *Time Inc.* hopped on the bandwagon in 2014 as well, launching an eight-person native unit, led by one creative and one business executive (Willens).

When it comes to creating that model at the college level, there appears to be consistencies in how to start producing native advertisements, according to an article by Tessa Wegert on *Contently*. As is the case with the three companies listed above, keeping creative in house is the way to go. “We made a conscious decision a long time ago not to contract out creative, the reason being that it takes a lot to understand the *BuzzFeed* tone,” says Melissa Rosenthal, senior director of creative services at *BuzzFeed* (Wegert). When creating and hiring for a native unit, it’s essential to “replicate the newsroom” and include as many journalism-minded folks as possible (Wegert). Maintaining that editorial/business divide still remains one of the most important tactics in setting up a native studio. “We can take the best practices of the newsroom in terms of design and approach, but use our own separate laboratory of creators so there’s no conflict,” says Adam Aston, editorial director of T Brand Studios.

Labeling Native Advertising on News Websites

How sponsored posts appear on a news website seems to be one of native advertising’s biggest discussions. “As long as it’s clearly marked, as long as the consumer knows the difference between what’s editorial and what’s native, I don’t see a problem.” *Time Inc.* CEO Joseph A. Ripp said (Bloomberg). If a paid post isn’t labeled as such, consumers feel misled or taken advantage of. If a post is too clearly labeled, there’s a risk that consumers will treat the

native advertising as a standard display advertisement, and likely ignore it. The uses and gratifications communications theory explains that the audience is active in its pursuit of media and is goal-oriented when it comes to seeking a preferred medium. Regarding that theory, author and market researcher Colin McDonald argued that an ad's only value is that which the consumer gives it (O'Donohoe). CTRs would indicate that consumers place low value on display advertisements, thus presenting a need for appropriately labeled native advertisements. This ensures customers treat it more like a story and less like a display ad. Still, under current labeling practices, media consumers are still struggling to identify the difference between an article and an advertisement. A *Contently* survey of 509 people found that prominent brand logos at the top of native advertising articles tend to help indicate that a post is paid for (Lazauskas).

How To Create Credible and Ethical Sponsored Content

Production and presentation elements aside, the native advertising content itself marks another important element. *BuzzFeed*'s lighthearted and sharable style of content dominated early forms of digital native advertising, but that doesn't mean it's the only approach for every publisher. The first criteria of strong native advertising is how the content reflects the voice of the publication, as Dumenco pointed out earlier. "If it looks like a puff piece, nobody's going to read it," said Trevor Fellows, who is the global head of ad sales for *The Wall Street Journal* parent Dow Jones and oversees its 1-year-old WSJ Custom Studios. "It's got to be at least as engaging as the content around it. They should feel more informed having read that content (Moses)." Forbes and Gap International teamed up on a native article which focused primarily on business, a topic in line with Forbes' editorial content, showing how sponsored content needs to be "as authentic as the editorial side," according to *Mashable* writer James O'Brien (O'Brien). Second, the best examples of native advertising also avoid self-promotion — they don't feel like

ads. Last year *The New York Times* published “Women Inmates,” a post sponsored by Netflix original show “Orange is the New Black.” The article is considered perhaps the best example of native advertising available. Even John Oliver called it, “as good as it gets (Dumenco).” The piece accomplishes the lack of self-promotion — the only mention of Netflix or the show itself is at the top of the page, so it paints Netflix as a company interested in raising awareness on an issue, not just promoting its products. “Women Inmates” also accomplished the first element of strong native advertising — the article’s strong reporting matches up to *The New York Times*’ editorial quality. In the *Contently* survey mentioned earlier, researchers found that “consumers who read native ads that they identified as high quality reported a significantly higher level of trust for the sponsoring brand (Lazauskas).”

Chapter 3

Methodology

This chapter will be used to discuss the methods of data collection containing data sources, collection and presentation of the information, and delimitations of the outreach program.

Data Sources

This study will focus on input from four industry experts, all of whom are closely related to Mustang News, and therefore have some stake in native advertising.

Participants

1. Kayla Missman, editor-in-chief, Mustang News
2. Paul Bittick, general manager, Mustang News
3. Patrick Howe, editorial faculty advisor, Mustang News
4. Ellen Curtis, marketing director, Cal Poly Corporation, Mustang News advertising client

Interview Design

The following questions were asked of each of the industry experts and served as data sources for the study.

1. What role do you see native advertising playing in the news industry?
2. What type of content do you see as the most effective use of native advertising? (*Asked of Missman, Howe and Curtis only*)
3. How can native advertising be implemented while still respecting the editorial/advertising boundaries? (*Asked of Missman, Bittick and Howe only*)
4. What is the best way to make readers comfortable with native advertising? (*Asked of Missman, Bittick and Howe only*)

5. How has native advertising changed your overall advertising strategy? (*Asked of Curtis and Bittick only*)
6. Compared to other advertising methods, what do you see as native advertising's strengths and weaknesses? (*Asked of Curtis only*)

Data Collection

Because this single-site case study is tailored toward Mustang News, we will use input from individuals with a prominent professional relationship to Mustang News, specifically people who will encounter native advertising as part of their job. Missman and Howe provide an editorial perspective, while Bittick and Curtis provide the respective advertiser and client perspective on native advertising.

Data Presentation

The data collected for these four one-on-one interviews was recorder and later transcribed. Full transcriptions of the interviews can be found in the appendix of this document.

Limitations and Delimitations

The main limitation of this study is time. The study was conducted over a 10-week quarter at Cal Poly, meaning only a certain amount of research and data could be collected given the time constraint.

A primary delimitation of this data collection is the absence of a very important public for Mustang News — readers. While the questionnaire is able to produce input from a few other crucial stakeholders in Mustang News' native advertising operation, one-on-one interviews with readers weren't completed. However, the literature review provides sources which can serve as substitutes. Multiple studies have been done to analyze readers' opinions and behaviors surrounding native advertising, so those studies have been included in this project.

Chapter 4

Data Analysis

This chapter will give further background on each of the media professionals interviewed in the study, summarize the participants' answers and finally, analyze and apply the material to the original research questions.

Descriptions of Participating Media Professionals

Kayla Missman:

Kayla Missman is a journalism junior at Cal Poly and editor-in-chief of Mustang News, Cal Poly's student news organization. Missman previously worked as managing editor, reporter and copy editor for a year each at Mustang News. She also worked as the editor-in-chief/campus correspondent of Her Campus.

Patrick Howe:

Patrick Howe is an assistant professor of journalism at Cal Poly and editorial adviser for Mustang News. Howe, who worked as Washington correspondent for the Arkansas Democrat-Gazette and a newsman for the Associated Press, specializes in multimedia journalism. He has done extensive research on native advertising, including published studies and articles.

Paul Bittick:

Paul Bittick is General Manager of Mustang Media Group, the entity which houses all of Mustang News' student operations, including both the editorial and advertising groups. He has held his current position for 13 years, three of which he also served as the president of College Newspaper Business and Advertising Managers (CNBAM). Bittick worked as a sports journalist for nearly two decades.

Ellen Curtis:

Ellen Curtis is the Director of Marketing and Communication at Cal Poly Corporation, the organization which owns Cal Poly's Campus Dining and University Store. Curtis has an extensive background in marketing, working a handful of senior-level creative jobs at some of the world's top agencies, most recently as social media director at Rosetta. She also works as an adjunct journalism professor at Cal Poly, where she teaches an introductory advertising class. Cal Poly Corporation is one of Mustang News' biggest clients.

Questionnaire:

1. What role do you see native advertising playing in the news industry?

Missman:

"I think it is currently and will continue to play a huge role, because people are using more ad blockers, Apple is OK-ing ad blockers for iPhones and as that becomes more and more challenging way to advertise, people will be looking for creative alternatives, and native advertising is a great way to avoid that (Appendix A)."

Howe:

"I think that digital news has a huge economic problem, and that is that advertising as it currently exists really can't fund the reporting of news. It can fund maybe the aggregation of news, it can pay for a couple of folks at a large volume website. But it really can't pay for the kind of money that you need to staff reporters. So I'm interested in finding solutions to this digital economic problem, and that's why I'm interesting in native advertising—I think it solves a lot of the problems that are mostly self-created with advertising and digital sites (Appendix B)."

Bittick:

"I see it as being just another direction that marketing is taking with the growth of digital news versus the decline of printed news. Obviously news organizations have to look at ways to

fund their news operation and if there's on a web page even at best maybe five or six ad spots, and you're rotating five or six different businesses on that. You're limiting to what you can offer to an advertiser. You're really limited in your income...and so they've got to find other options, and native is one of those options. It's going to fill some of that gap to get that higher to where it can pay the cost of a news operation (Appendix C)."

Curtis:

"I think this is another revenue stream, and a good one at that because that problem of in the traditional paper, ad budgets are moving away from print and into digital and native is just another revenue stream. I would imagine it's probably saving a ton of publications (Appendix D)."

2. *What type of content do you see as the most effective use of native advertising?*

Missman:

"I think you can do anything native if you did a good enough job on it. *The New York Times*, you mentioned that prison story. You could take a very serious topic and do something respectful with it. Or you could do something silly and do something fun and creative with it. You can tell it in any kind of platform, or any kind of story (Appendix A)."

Howe:

"I think that the kind of content that works best is what we might think of in the purest form as sponsored content. Where it is engaging, interesting, original storytelling that just happens to have some interest to a brand. And the story itself probably isn't influenced by that brand; it's just a compelling story. There's an overlap in the interests of the advertiser and the news organization, that they're willing to pay for. I think that's probably the optimal vehicle (Appendix B)."

Curtis:

“I don’t know yet. We haven’t done enough of it for this audience. I know there’s a ton of research out there. The biggest reason news sites do the listicles; it’s the most popular, engaging native form. The listicle has reigned supreme now for three years (Appendix D).”

3. *How can native advertising be implemented while still respecting the editorial/advertising boundaries?*

Missman:

“I think if native ads are treated the same way that we treat regular ads, then that’s a clear enough line for me. It’s just like an ad that you’re designing. You’re selling it separately of editorial, you’re designing it separately and it just goes in the paper and it’s there and we design around it. And that’s the same thing with native, where you’re selling it separately as advertisers, you’re designing it, so to speak, by writing it or creating the video or whatever you’re creating. And then editorial might have a final look at it to make sure that the quality is up to snuff, and that is very divided (Appendix A). ”

Howe:

“Well I think labeling is probably the single most important answer. When we first started seeing native advertising there was an extreme reluctance on the part of advertisers to label them as advertisements. That’s a red flag. When you’re using euphemisms — paid, sponsored, promoted — that says to me that you somehow want people to think this isn’t advertising, and you think you’re fooling the readers that you’re actually using the brand credibility to convince the readers. So I think that’s concerning and I think it’s something that really high quality content overcomes. I think you can take high quality content with a great

headline and an awesome lead and good graphics, and it doesn't matter if it flat out says "Advertising" here."

"I think that the best model are people who have worked in a newsroom but don't currently work in that newsroom. I think the model we have running right now is the best model I can think of. Which is to make content that resonates with the brand, that makes sense for the readers, that will seem familiar to the readers. But it's custom content. But to me that's the key. That's why I'm willing to explore native. Custom content is so much better than the terrible advertising that dominates online right now. People say, 'well, how can you like that?' And I say, 'what do you think we're doing now?' I mean it's horrible. So almost anything is an improvement (Appendix B)."

Bittick:

"I think as long as it's clearly marked, some people say well people still don't understand it. Well I'm sorry...if someone is clicking on a link that says sponsored by, with thinking it's a news story, there's nothing you can do about it. And I think that's going to continue to be the complaint is that assumption by a lot of people that it's a news story even though it's marked otherwise. But to me it's like someone picking up a newspaper and picking up an ad and saying oh I thought that was a story. They'd never do that. What's the difference? There isn't. So as long as you maintain the line and you don't try to make it look like it's content that is news-driven as part of your news package, I don't think there should be a complaint on that."

"Your bigger operations, people in the newsroom are intelligent enough to realize that, "hey those are paying my salary. Why should I have an issue with it? It's marked as advertising content. It pays my salary. That ad on page three pays my salary, so why should I complain

about it being in the newspaper?’ People that understand it aren’t going to have a problem (Appendix C).”

4. *What is the best way to make readers more comfortable with native advertising?*

Missman:

“I feel like just being upfront about it is the most important thing, and having everything clearly labeled. Apparently readers don’t actually care as much as we thought they did. But it’s still very important from an ethical standpoint to make sure things are clearly labeled as advertising if they are (Appendix A).”

Howe:

“I don’t see much indication that readers are uncomfortable with it. When I get in a discussion with people who are involved in media or politics or something like that, I hear a lot of people say “oh, native advertising is just selling out” or whatever. I don’t see much evidence, in study after study, I don’t see much indication that people care a lot. A small minority might, but I don’t think it’s affecting the general population much at all (Appendix B).”

5. *How has native advertising changed overall advertising strategy?*

Bittick:

“I think your big national companies have shown that they’re interested. I think the challenge is developing the products so that smaller business can see a value. It’s very hard to get a return on investment in digital advertising, and to also measure it...and advertisers are not dumb. They realize that. So with native, helping them understand, there is an immediate return as far as how many people are looking at your story.”

“Are advertisers going to be content with a 2 or 3 or 4 percent click on the story versus a percentage of one percent as a click through rate? That’s the challenge with local advertisers. The big businesses, that’s clear to them. If they’re getting a five percent click through on a

native, that's great response, because they're used to that .01 percent click through right. Their money is being much better spent. As it continues to grow, if it does continue to grow, and I see no reason why it shouldn't, people will start seeing the value in it in terms of branding or providing information about a business or product (Appendix C)."

Curtis:

"It's another avenue, another tactic, another tool in the marketing mix. It allows us to reach our audience and engage with them fully. So it's a good thing. Look at the whole marketing mix. If I'm going to go the paid route, the effectiveness of banners, social, paid, print paid and looking at that mix and which is the most efficient avenue to go that way. What we're going with Mustang News is testing. We're trying different types of native. What's sticky? What's not? And then making some, based on the success of the various things that we're trying, I can divert budgets (Appendix D)."

6. Compared to other advertising methods, what do you see as native advertising's strengths and weaknesses?

Curtis:

"It allows you to engage with your audience in a different way. You can create a different impression with fun quizzes, more fun interactions that might be surprising from this particular client base. It also allows you to cover something in depth that you can never cover in a quarter page newspapers ad. The downside of it is, will this particular audience stay engaged? Is this content going to be engaging for them? Right now, for this environment, this is new. So we're sort of benefiting from that. If every advertiser Mustang News has is doing sponsored, it loses its allure, because then you're back in a competitive attention-getting environment (Appendix D)."

Research Questions and Findings

The following research questions were designed for this study to explore native advertising in modern news organizations.

How does native advertising compare to traditional advertising methods?

Native advertising is a desirable alternative to traditional advertising because of its click-through rate — more people click on native advertising posts versus standard display ads.

According to Hoelzl, display ads generally garner a CTR of less than 1 in 1,000 (less than .01 percent), whereas desktop native ads reported an average .15 percent CTR (Hoelzel).

Native advertising is beginning to play a bigger part in news organizations' advertising strategies. It's gaining a bigger share of total advertising revenue — native advertising made up around 10 percent of *The New York Times*' digital ad revenue last year, around \$18 million (Sebastian). Media companies are also able to charge a premium price for native. Publications such as *Time Inc.* and *BuzzFeed* charge \$200,000 and \$100,000 per native advertising campaign, respectively.

What are some problems with native advertising?

Native advertising's chief complaint tends to stem from its blurring line between editorial and advertising, a traditionally clear and firm divide in newsrooms. Because native advertising is designed to look like editorial content, the idea of "paid posts" is making some readers squirm (Dumenco).

Furthermore, some say native advertising isn't a huge step up from traditional advertising. Native ads are still competing for readers' attention, except now they are surrounded by editorial content, so there is actually more content to compete with. Some also question whether certain companies even have a story tell, leaving native ads subject to a lot of self-promotion (Dumenco).

How do top national media companies incorporate native advertising?

The model for incorporating native advertising appears to be consistent among a handful of top media companies — create a team of content-producers in-house but separate from the editorial operation. This is the model used by *BuzzFeed* and *The New York Times*' T-Brand studio (Willens). Keeping these teams in-house is the crucial step, because it ensures the voice and tone of sponsored posts will be consistent with the editorial content surrounding them. There paid content is then created by a separate entity, keeping the editorial/advertising wall strong but still maintaining the brand of the publication (Wergert).

How clearly labeled should native advertising be on news websites?

Aside from who is producing the content, the labeling of native advertising on news websites may be one of the most important elements. A *Contently* study surveying 509 consumers found that readers are struggling to tell the difference between native advertisements and editorial articles (Lazauskas). Forty-eight percent of respondents felt deceived upon realizing a piece of content was sponsored by a brand, showing the need for clear labeling. Certain articles tested in the study were more easily identified as an ad or article, but it still varies a lot from example to example.

What types of native advertising content are considered ethical and credible?

The best examples of native advertising abide by two principles. First, good native advertising reflects the voice and quality of the publication it appears on, one reason publications are keeping their native studios in-house, as mentioned earlier (O'Brien). Second, good native advertising avoids overt self-promotion. Clear calls to action and brand name presence in native stories make them feel more like traditional ads. Many industry experts have agreed that "Women Inmates," a New York Times native post, is perhaps the strongest example of native

advertising because of its quality, well-researched reporting and little to no mention of the brand sponsor (Dumenco).

Comparison of Literature and Qualitative Data

Because native advertising is such a new and constantly evolving concept, it was important to get the perspective of industry professionals for this study. The existing research is limited, mainly because of the fact that most of it doesn't come directly from professionals working in native advertising currently. And because this is a single-site case study at Mustang News, the research in place couldn't address it specifically. The data collected in interviews with industry professionals close to Mustang News will help fill in those research gaps.

Native vs. Traditional Advertising

The data collection phase of this project added a lot of depth in comparing native and traditional advertising. While the literature and Bittick both covered the click-through advantages of native advertising, Curtis was able to give an advertiser's perspective. As the Director of Marketing and Communication at Cal Poly Corporation, she cited native advertising as an opportunity to engage with her target audience — Cal Poly students — on a completely different level, compared to traditional advertising strategies. "You can create a different impression with fun quizzes, more fun interactions that might be surprising from this particular client base," she said (Appendix D). Curtis also discussed how native advertising allows her to cover a topic in-depth, something that can't be done with display ads.

Problems with Native Advertising

There was plenty of overlap regarding the problems with native advertising — labeling and editorial/advertising boundaries to name a few. But again, the industry professionals were able to present ideas that the literature couldn't. Missman brought up the concept of native

political advertising, and the potential conflicts of interest associated with it. “I am very skeptical about political content being native ads and having someone sponsor something that they’re directly involved in,” Missman said. “I know BuzzFeed is starting to do political advertising and that just kind of rubs me the wrong way, because you know you’re getting biased information (Appendix A).”

In addition, Curtis once again presented concepts from the client perspective that the literature could not. She questioned whether or not her target audience will continue to respond positively to native advertising. “The downside of it is, will this particular audience stay engaged?” she said. “Is this content going to be engaging for them (Appendix D)?” Curtis also echoed elements from the literature which pointed out that native advertising still features competition for readers’ eyes — it’s not a flawless method for breaking through the clutter. “Right now, for this environment, this is new, so we’re sort of benefiting from that,” Curtis said. “If every advertiser Mustang News has is doing sponsored, it loses its allure, because then you’re back in a competitive, attention-getting environment.”

Models For Implementing Native Advertising

The industry professionals and research are in agreement — creating a native advertising studio separate from editorial is the way to approach the editorial/advertising divide. Just as *The New York Times*, *Time* and *BuzzFeed* have built teams of creatives to handle native advertising, Missman and Howe agree it’s the best model. Just as traditional advertisements are created separately from editorial, Missman said, native should be treated the same. Howe made a key point that native advertising creatives should have experience in a newsroom, but not work in that newsroom currently. This ensures the quality of native advertisements will mirror that of a publication’s editorial content, but the financial element won’t influence the newsroom.

Labeling Native Advertising on News Websites

The industry professionals interviewed and literature both had plenty to say about labeling. Bittick's comments were similar to those of many media companies found in the literature. He asked, "What's the difference?" between a native ad on a news site and an ad in a physical newspaper, and said as long as the ads are clearly labeled, there isn't a problem (Appendix C). Howe also overlapped with plenty of the information found in *Contently's* survey. "When you're using euphemisms — paid, sponsored, promoted — that says to me that you somehow want people to think this isn't advertising, and you think you're fooling the readers that you're actually using the brand credibility to convince the readers (Appendix B)." The *Contently* study asked respondents what the most appropriate label for online sponsored content would be, and the results varied greatly. Eighteen percent of respondents — the highest for that question — cited "Brought to you by" as the best label. So the consensus is clear — the many different types of labeling are confusing readers. Still, both Howe and *Contently* agreed that high quality content tends to overcome some of those labeling issues.

Creating Credible and Ethical Sponsored Content

Once again, there are little discrepancies when it comes to what makes good sponsored content — the quality is as high as the editorial side. *Mashable's* James O'Brien cited a handful of the best native advertising examples in his article, all of which he deemed up to par with that publication's editorial content. The *Contently* survey also found that high quality native ads increase readers' level of trust for the sponsoring brand. Howe also placed emphasis on engaging and original storytelling, that just happens to have a brand attached to it. O'Brien's article, Missman and Howe all pointed to *The New York Times'* "Women Inmates" as the strongest example of native advertising, mainly because the brand sponsor appears scantily throughout the

story. The high quality and lack of self-promotion were the two criteria which appeared both in the literature and data collection.

Chapter 5

Discussion and Recommendations

This study was performed to examine a new and emerging solution to the economic problem most news outlets are facing today — native advertising. As publications have switched to a digital-first content model in recent years, advertisers are struggling to make the revenue they once brought in when print news was the only news. Traditional advertising solutions to the digital revolution — display ads, pop-up ads, etc. — are either ineffective or undesirable to readers. Native advertising presents a less intrusive solution with a higher success rate, and has become a big part of the revenue equation for many of the top news outlets. This study focused on implementing native advertising at a student publication specifically. As a result, it was important to collect data from many of the industry professionals related to that publication.

Considering the new and ill-defined nature of native advertising, five research questions were compiled to gain a better understanding based on the existing research:

1. How does native advertising compare to traditional advertising methods?
2. What are some problems with native advertising?
3. How do top national media companies incorporate native advertising?
4. How clearly labeled should native advertising be on news websites?
5. What types of native advertising content are considered ethical and credible?

In order to understand the needs of the industry professionals closely related to Mustang News, they were each asked a series of questions about native advertising and how it affects their jobs.

1. What role do you see native advertising playing in the news industry?

2. What type of content do you see as the most effective use of native advertising? (*Asked of Missman, Howe and Curtis only*)
3. How can native advertising be implemented while still respecting the editorial/advertising boundaries? (*Asked of Missman, Bittick and Howe only*)
4. What is the best way to make readers comfortable with native advertising? (*Asked of Missman, Bittick and Howe only*)
5. How has native advertising changed your overall advertising strategy? (*Asked of Curtis and Bittick only*)
6. Compared to other advertising methods, what do you see as native advertising's strengths and weaknesses? (*Asked of Curtis only*)

Discussion:

Analysis of the commonalities and discrepancies between the interview and literature based research in Chapter 4 allows us to draw conclusions regarding the original research questions:

Question 1: How does native advertising compare to traditional advertising methods?

With consumers showing seemingly more animosity toward digital advertisements than ever before, Missman noted that native advertising provides a way around ad-blockers, which are becoming a commonplace way to remove digital ads from the experience. Howe challenged native opponents by hypothetically asking them how it could be any worse than the ugly, often intrusive pop-up and display ads that are commonplace on news website currently. From the business side, both Bittick and Curtis see native advertising as another tool for advertisers and another source of revenue, one that is “probably saving a ton of publications,” according to Curtis (Appendix D).

The research supported these ideas well. The literature showed that by examining click through rates, native advertising's 15 percent CTR is significantly more effective than the CTR of traditional display ads — less than 1 percent. The appeals are confirmed by big publications' big spending on native advertising, which made up around 10 percent of *The New York Times*' digital advertising revenue last year.

Overall, we can conclude that in the current digital media landscape, native advertising is beginning to play a big role in a number of ways. Native advertising is such a hot source of revenue because it provides an alternative to the previous methods of digital advertising. Its ability to circumvent tricky ad-blocking software, its non-intrusive nature and its ability to attract readers all make native advertising more desirable than traditional advertising in today's digital publications.

Question 2: What are some problems with native advertising?

The media professionals — even the ones closer to the editorial side — don't seem to have many issues with native advertising. Though the blurring line between editorial and advertising is one of the chief controversies among readers, Missman, Howe and Bittick all see labeling and quality content as clear solutions. Curtis pointed out that while it's not a problem yet, once more advertisers join the native advertising trend, they'll all be back in the competitive, cluttered environment that traditional digital advertising has created.

This idea came up in the literature, with *Advertising Age*'s Simon Dumenco stating that “native advertising basically forces brands to compete in a much larger arena” (one that includes other news stories, in addition to other ads). But the dominant complaint, voiced prominently by Last Week Tonight's John Oliver, is the simple idea of editorial and advertising breaking the traditionally strong boundaries between the two.

Despite its benefits, native advertising has been met with a lot of controversy and complaint, often stemming from the fact that it too closely resembles news content. Still, seeing as the industry professionals are all comfortable with native advertising and didn't talk much about its issues, we can conclude that for the most part, media literate individuals tend to understand native advertising. Howe and Bittick both agree that certain individuals simply won't accept native advertising, but that shouldn't prevent the practice altogether.

Question 3: How do top national media companies incorporate native advertising?

The industry professionals, who aren't working at the top national media companies, couldn't weigh in much on this research question. However, they were able to confirm that the native advertising models of the publications in the research are in fact the best models. Missman, Bittick and Howe all agree that keeping the native content-producing journalists separate from the editorial newsroom is the way to go.

The New York Times, *BuzzFeed*, *Time* and *The Wall Street Journal* all operate under very similar models when it comes to native advertising — each outlet has a team of “journalists” working in a separate studio that produces all of the publication's native advertising content. But the key in creating that model is maintaining the voice, tone and brand of the editorial content because the native advertising content is meant to mimic it.

We can clearly conclude that the best method for implementing native advertising is to create a studio of working creatives who build native content for a publication, separate from but with a strong understand of the newsroom and the way it operates.

Question 4: How clearly labeled should native advertising be on news websites?

Again, the media professionals agree that labeling native advertisements properly is a crucial practice. Howe referenced the fact that early on in the native advertising revolution,

advertisers would want labeling to be as subtle as possible to attract more readers. He and Bittick both called for clear labeling practices, and Bittick made it clear that as long as native content doesn't look like news-driven content, there shouldn't be any problems.

We found in the research that under the uses and gratifications theory, an advertisement's only value is that which a consumer gives it (O'Donohoe), meaning that if a native advertisement looks too much like a traditional ad, consumers will treat it as such. And given the poor CTRs of display ads, that's not something clients want, as Howe referenced. But on the other hand, if an ad isn't labeled clearly enough, it confuses readers and often makes them feel taken advantage of (Lazauskas). This is where we see big media companies echoing Bittick by saying that "as long as it's clearly marked, as long as the consumer knows the difference between what's editorial and what's native, I don't see a problem," according to *Time Inc.* CEO Joseph A. Ripp (Bloomberg).

With readers' increasing impatience with traditional advertisements, clients would obviously want for native advertisements to blend in with the content surrounding them and appear as news stories. But that type of practice makes readers uncomfortable with native advertising, so all content needs to be clearly labeled to avoid any confusion.

Question 5: What types of native advertising content are considered ethical and credible?

There is a consensus among the media professionals interviewed that native advertising content is not limited to any type or platform, as long as it incorporates one crucial element — quality. Missman said that you can tackle any type of story with native as long as the quality is there. Howe cited "engaging, interesting, original storytelling that just happens to have some interest to a brand" as the best type of content (Appendix B). Missman and Howe both pointed to *The New York Times*' Women Inmates story as the prime example of these attributes.

The research also called *Women Inmates* one of the best examples of native advertising in existence (O'Brien). The example also exposes two more elements of strong native advertising — the piece avoids promoting the sponsor and resonates well with *The New York Times* brand.

Overall, we can conclude that marketing-speak and product placement make a native advertisement feel more like an ad and less like a story, which defeats the purpose. And given native advertisement's "native" element, it's crucial for the content to mirror the quality and brand of the content around it.

Recommendations for Practice:

Large amounts of data have been collected for this study regarding not only the basic information about native advertising, but also how to implement it. Given what both the research and industry professionals have noted on this topic, clear conclusions can be drawn and recommendations can be made to both media scholars and practitioners in the field. It's important to note that the following recommendations can be applied to any media outlet looking to implement native advertising practices, not just Mustang News at Cal Poly.

Create a team of "native creatives." While native advertising does present a great new source of revenue for publications, this study addressed early on that many consumers are uncomfortable with the advertising side of an operation moving too close to the editorial side. So for native advertising to happen, publications should create a team of individuals whose sole job is creating native advertising content. These individuals should have experience working on the editorial side — as to maintain the standards and quality of news content — but should not currently have any affiliation with the editorial side. The size of the team will vary based on the publication's client-base and required output. It can range from a few individuals to 40. This is

the best way to tackle native advertising while still respecting and maintaining the traditional line between editorial and advertising.

Labeling should be clear, but not overwhelming. This also addresses comfort levels of readers and editorial employees regarding native advertising. To ensure readers are not confused, every native advertising post should be labeled as such, both in headlines and on the story itself. Again, the style and language will vary based on the publication, but it is recommended that publications say “sponsored by” or “paid for by” in headlines. Other phrases such as “branded by” only serve to confuse readers. Near a native article’s byline, there should be another more in-depth disclaimer explaining clearly that the post is paid for and doesn’t reflect the editorial coverage of the operation. This disclaimer should also link to a native-focused section of a publication’s website for readers who want to learn more.

Content must meet the two criteria for strong native. The trick with native advertising is making the content feel like a story, not an ad. That being said, native content shouldn’t have any overwhelming calls to action or self-promotion of the brand sponsor. This kind of language will turn readers off, and wastes the opportunity presented by native advertising to tell a real story. Second, native content should be up to par with the editorial content of the news outlet it’s published on. To really capture the “native” element, it should read like other news stories on the website and also abide by the same quality and storytelling standards upheld by the editorial side. Native creatives should ask, ‘would the editorial operation publish something like this?’ when brainstorming native story ideas.

Study Conclusion

In conclusion, this study surveyed, presented and analyzed data from both industry professionals and current industry literature regarding native advertising. Based on all the

information collected, the study concludes that implementing native advertising can absolutely be accomplished. In fact, it already is being done, and the media companies who have implemented models so far are pioneers in the industry which other publications can follow. Native advertising is growing, and more media outlets will likely will soon realize its benefits and want to hop on the trend. Given the extensive literature covered, the relevant industry professionals interviewed and the recommendations presented, this study can serve as a guide to any of those publications looking to implement one of the most desirable forms of digital advertising in today's media landscape.

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Appendix A

Interview Transcripts: Kayla Missman

The following interview was conducted to get an expert opinion from the editor-in-chief of Mustang News, based on a questionnaire geared toward implementing native advertising at Mustang News.

Interviewer: Jacob Lauing

Respondent: Mustang News editor-in-chief Kayla Missman

Date of Interview: 11/16/2015

Interview Transcription

Jacob Lauing: “So the first question is just kind of, what role you see native advertising playing in the news industry?”

Kayla Missman: “I think it is currently and will continue to play a huge role, because people are using more ad blockers, Apple is OK-ing ad blockers for iPhones and as that becomes more and more challenging way to advertise, people will be looking for creative alternatives, and native advertising is a great way to avoid that.”

JL: “OK. Getting into, more specifically, types of content, what content do you see as most effective to use for native advertising?”

KM: “Like story ideas? Or platforms?”

JL: “Both.”

KM: “I think you can do anything native if you did a good enough job on it. *The New York Times*, you mentioned that prison story. You could take a very serious topic and do something respectful with it. Or you could do something silly and do something fun and creative with it. You can tell it in any kind of platform, or any kind of story.”

JL: Do you think there’s any line with what type of content should be created with a native ad?

KM: “I am very skeptical about political content being native ads and having someone sponsor something that they’re directly involved in. One thing that was briefly mentioned and immediately shot down was having the CFA sponsor the Chancellor’s open forum, which would be a clear conflict of interest and would look like Mustang News was supporting the CFA, or that we were giving biased information. So I think things that are highly emotional, it’s not a great idea. But for everyday stories, it’s not a problem.

JL: “Like anything where Mustang News needs to play a role in somehow? Or just emotional?”

KM: “I know *BuzzFeed* is starting to do political advertising and that just kind of rubs me the wrong way, because you know you’re getting biased information.”

JL: “That makes sense. So then the next couple question are editorial-gearred questions. So the question I’m trying to answer is, how can you implement native advertising while still respecting the line between editorial and advertising? How do you see that?”

KM: “I think if native ads are treated the same way that we treat regular ads, then that’s a clear enough line for me. It’s just like an ad that you’re designing. You’re selling it separately of editorial, you’re designing it separately and it just goes in the paper and it’s there and we design around it. And that’s the same thing with native, where you’re selling it separately as advertisers, you’re designing it so to speak by writing it or creating the video or whatever you’re creating. And then editorial might have a final look at it to make sure that the quality is up to snuff, and that is very divided.”

JL: With regard to readers, what do you see as the way to make readers most comfortable with native advertising, assuming you are implementing it? Or how do you help readers understand it?”

KM: “I feel like just being upfront about it is the most important thing, and having everything clearly labeled. apparently readers don’t actually care as much as we thought they did. But it’s still very important from an ethical standpoint to make sure things are clearly labeled as advertising if they are.”

Appendix B

Interview Transcripts: Patrick Howe

The following interview was conducted to get an expert opinion from Patrick Howe, who in addition to studying native advertising and teaching multimedia journalism at Cal Poly is also Mustang News' editorial advisor.

Interviewer: Jacob Lauing

Respondent: Assistant professor of journalism Patrick Howe

Date of Interview: 11/17/2015

Interview Transcription

Jacob Lauing: "The first question is just what role you see native advertising playing in the news industry right now?"

Patrick Howe: "The reason that I'm interested in studying native advertising is because of money, frankly. I don't think it's the ideal way to improve the credibility of news organizations which is what I'm really interested in. But I think that digital news has a huge economic problem, and that is that advertising as it currently exists really can't fund the reporting of news. It can fund maybe the aggregation of news, it can pay for a couple of folks at a large volume website. but it really can't pay for the kind of money that you need to staff reporters. So I'm interested in finding solutions to this digital economic problem And that's why I'm interesting in native advertising. I think it solves a lot of the problems that are mostly self-created with advertising and digital sites."

JL: "Do you see it as the best solution right now?"

PH: "The best solution is subscription. To get people used to paying for news again. But that's a high hurdle and although it's being tried in all kinds of places, the only ones that are having a lot of success right now are the large national brands — New York Times, Wall Street Journal. Ones where you are connected to the money stream, they're alright — Investor's Business Daily, Consumer Reporters. These kind of media organizations that can really help you make money, do quite well. Some local news can make it work a little bit. But for the most part, people aren't willing to pay online."

JL: "And when you say best solution, is that a solution that economically is going to make the most money or something that's most comfortable for readers?"

PH: "What I mean is what's best for journalism. What allows journalists to continue to do work that's important to the public, interesting to the public. Doesn't sell out a news brand's credibility and yet has. I'm not interested in publishers making, you know, the old days of newspaper, like 20, 30 percent yearly profits. But you need a certain amount there. You need to

be able to pay for a staff and make a little money at the end. So when I say best, I think subscription model with some advertising perhaps, could do that. Just like it has for 200 years in american newspapers. But it's not doing it right now online."

JL: "And going off that idea of credibility, what types of content do you see working best for native advertising?"

PH: "This is an evolving answer. I'm looking at things every day and asking myself that questions. I think that the kind of content that works best is what we might think of in the purest form as sponsored content. Where it is engaging, interesting, original storytelling that just happens to have some interest to a brand. And the story itself probably isn't influenced by that brand, it's just a compelling story. There's an overlap in the interests of the advertiser and the news organization, that they're willing to pay for. I think that's probably the optimal vehicle."

JL: "In your eyes, at this point, even though it is evolving, do you have an example that you consider the strongest example?"

PH: "One that's being pointed to is, there was this great new york times piece on women in prison. Interesting, engaging, well told, nice graphics and very stylized. And it was sponsored by Netflix which has the orange is the new black show. So just a confluence of interests that they're willing to...and they want to be associated with a high quality brand. So to me that supports what news brands should be doing which is worrying about their credibility first."

JL: "Perfect segway. On the newsroom side of things, how can native advertising be implemented while still respecting the editorial and advertising boundary?"

PH: "Well I think labeling is probably the single most important answer. When we first started seeing native advertising there was an extreme reluctance on the part of advertisers to label them as advertisements. That's a red flag. When you're using euphemisms — paid, sponsored, promoted — that says to me that you somehow want people to think this isn't advertising, and you think you're fooling the readers that you're actually using the brand credibility to convince the readers. So I think that's concerning and I think it's something that really high quality content overcomes. I think you can take high quality content with a great headline and an awesome lead and good graphics, and it doesn't matter if it flat out says "Advertising" here. I think paid post is fine. That makes sense to me. It's paid, right? I think the euphemisms fall into the area of sponsored, which maybe people are coming to understand, but certainly didn't a year or so ago. And research goes way back that says people have always intentionally, or conflated these ideas of advertising and editorial content. If you ask somebody to read something and then you ask them later about it, they don't remember what's an ad and what isn't. That's when we think it's really purely defined. So I don't think they have to worry about this, it's just seeking that little extra bit of greed that wants to even fudge the name."

JL: "As far as who is producing the content, do you like the way that *New York Times* is doing it, where you have the separate entity that is creating the content?"

PH: "I think that the best model are people who have worked in a newsroom but don't currently work in that newsroom. I think the model we have running right now is the best model I can

think of. Which is to make content that resonated with the brand, that makes sense for the readers, that will seem familiar to the readers. But it's custom content. But to me that's the key. That's why I'm willing to explore native. Custom content is so much better than the terrible advertising that dominates online right now. People say well how can you like that? And I say, what do you think we're doing now. I mean it's horrible. So almost anything is an improvement."

JL: "You answered this question a little bit, but what do you think is the best way to make readers comfortable with this idea of native advertising?"

PH: "I don't see much indication that readers are uncomfortable with it. When I get in a discussion with people who are involved in media or politics or something like that. I hear a lot of people say "oh native advertising is just selling out" or whatever. I don't see much evidence in study after study, I don't see much indication that people care a lot. A small minority might, but I don't think it's affecting the general population much at all. I don't think the small minority gives a crap about all of things that we hold dear in journalism. I don't think that they care about our traditional wall. I don't even think they believe the wall between advertising and news. I don't think they ever believed it. I don't think they believe there's a wall between opinion and editorial. They've never really bought into these things that we have really hung our hat on. So it wouldn't be surprising to me that they wouldn't be into this either. That doesn't mean that we don't have to do it right. To look at ourselves in the morning every day in the mirror and be proud of what we did. I think we really are in the process of building ethical guidelines that will want to....I think we're in the process right now of building that model that we should follow."

Appendix C

Interview Transcripts: Paul Bittick

The following interview was conducted to get an expert opinion from Paul Bittick, who manages both the editorial and advertising student operations at Mustang News.

Interviewer: Jacob Lauing

Respondent: Mustang Media Group General Manager Paul Bittick

Date of Interview: 11/17/2015

Interview Transcription

Jacob Lauing: “How do you see native advertising changing the news industry right now, or what role do you see it playing right now?”

Paul Bittick: “I don’t know if I see it changing it. I see it as being just another direction that marketing is taking with the growth of digital news versus the decline of printed news. Obviously news organizations have to look at ways to fund their news operation and if there’s on a web page even at best maybe five or six ad spots, and you’re rotating five or six different businesses on that. You’re limiting to what you can offer to an advertiser. You’re really limited in your income. I think even at the biggest of newspapers you’re straight digital ads, if you’ve got 100 percent of capacity in terms of what your inventory may be, they’re still not going to bring in one tenth of what they need to fund their news operation. Maybe 20 percent. It could be a little higher even. I know there’s still a huge gap between the max they can bring in on digital versus print. And so they’ve got to find other options, and native is one of those options. It’s going to fill some of that gap to get that higher to where it can pay the cost of a news operation. Is it going to change it? No. I think it’s going to compliment it. It has to be handled properly and treated the way it needs to be to, which would be clearly as an advertising content, but it’s going to be like an ad.”

JL: “OK. And you have the unique perspective right now of having a hand in both editorial and advertising. In a way you kind of manage both of them and also are able to survey a lot of the national trends in advertising. How do you see advertisers responding to the idea of native advertising?”

PB: “I think your big national companies have shown that they’re interested. I think the challenge is developing the products so that smaller business can see a value. It’s very hard to get a return on investment in digital advertising, and to also measure it. But the good thing is with the way you can run analytics now, unlike an ad, if you go to a website, sure that website might have 1 million page views, and say there’s six ads running in the banner slot. Of that one million page views maybe 175,000 in a month are seeing a given ad. However, there is no way of knowing how many of that 175,000 actually made notice of that ad unless they click on it and go through. So you have a very hard time analyzing the return on investment in digital advertising. And advertisers are not dumb. They realize that. So with native, helping them understand, there

is an immediate return as far as how many people are looking at your story. As we can track readers. Because if someone clicks on that, you know they're reading that product, especially if you look at the time on page. So unlike that banner ad, you don't know what it's doing for you. On the native, you know, if someone opens, they've responded to it. Are advertisers going to be content with a 2- or 3- or 4-percent click on the story versus a percentage of one percent as a click through rate? That's the challenge with local advertisers. The big businesses, that's clear to them. If they're getting a five percent click through on a native, that's great response, because they're used to that .01 percent click through right. Their money is being much better spent. As it continues to grow, if it does continue to grow, and I see no reason why it shouldn't. People will start seeing the value in it in terms of branding or providing information about a business or product. so I think it will grow, it's just going to take time."

JL: "From a newsroom perspective, what do you see as the best way to implement native advertising while still respecting the editorial/advertising boundary?"

PB: "I think as long as it's clearly marked, some people say well people still don't understand it. Well I'm sorry. You can't fix stupid. If someone is clicking on a link that says sponsored by, with thinking it's a news story, there's nothing you can do about it. And I think that's going to continue to be the complaint is that assumption by a lot of people that is 'a news story even though it's marked otherwise. But to me it's like someone picking up a newspaper and picking up an ad and saying oh I thought that was a story. They'd never do that. What's the difference? There isn't. So as long as you maintain the line and you don't try to make it look like it's content that is news-driven as part of your news package, I don't think there should be a complaint on that. Your bigger operations, people in the newsroom are intelligent enough to realize that, 'hey those are paying my salary.' Why should I have an issue with it. It's marked as advertising content. It pays my salary. That ad on page 3 pays my salary so why Should I complain about it being in the newspaper. People that understand it aren't going to have a problem. People that don't understand it, if they complain, I'm sorry. You can't fix stupid."

JL: "What do you see as the best way to make readers comfortable with it, then? Does it just get back to labeling?"

PB: "Let's be honest. Your goal is to get people to read it. You want to do whatever you can to, within certain bounds, to get people to read that product. If you have an ad on your page. What is the goal of that ad? You want people to click on it to go to that customer's website. If we become so overwhelmed with concern about that line and we end up having flashing neon lights 'this is an ad' type of thing. I think you're going to defeat the purpose of it. Because part of the purpose is, you want to be on the edge a little bit. You want it to be there because you want people to read it. As long as it's marked and properly identified as being sponsored by or paid for or whatever, everything is in play then. Once you get to that point."

Appendix D

Interview Transcripts: Ellen Curtis

The following interview was conducted to get an expert opinion from Ellen Curtis, Marketing and Communication Director of Cal Poly Corporation, one of Mustang News' biggest advertisers.

Interviewer: Jacob Launing

Respondent: Cal Poly Corporation Director of Marketing and Communication Ellen Curtis

Date of Interview: 11/19/2015

Interview Transcription

Jacob Launing: "What role do you see native advertising playing in the news industry?"

Ellen Curtis: "I think this is another revenue stream, and a good one at that because that problem of in the traditional paper, ad budgets are moving away from print and into digital and native is just another revenue stream. I would imagine it's probably saving a ton of publications."

JL: "How has native changed your advertising strategy overall?"

EC: "It's another avenue, another tactic, another tool in the marketing mix. Does it allow us to reach our audience and engage with them fully. So it's a good thing. Look at the whole marketing mix. If I'm going to go the paid route, the effectiveness of banners, social, paid, print paid and looking at that mix and which is the most efficient avenue to go that way. What we're going with Mustang News is testing. We're trying different types of native. What's sticky? What's not? And then making some, based on the success of the various things that we're trying, I can divert budgets."

JL: "So what do you see as strengths and weaknesses of native compared to your other digital or print advertising strategies?"

EC: "I think the benefits of it, it allows you to engage with your audience in a different way. You can create a different impression with fun quizzes, more fun interactions that might be surprising from this particular client base. It also allows you to cover something in depth that you can never cover in a quarter page newspapers ad. The downside of it is, will this particular audience stay engaged? IS this content going to be engaging for them? Right now, for this environment, this is new. So we're sort of benefiting from that. If every advertiser mustang news has is doing sponsored, it loses its allure. Because then you're back in a competitive attention-getting environment. Same way we talk about *BuzzFeed*. Everything is the same. I can't look at another gif, top ten thing. In the beginning it was really fun. And now you go there and it's just like, 'oy.'"

JL: “You may have already answered this, but what types of content do you see as most effective for native advertising?”

EC: “I don’t know yet. We haven’t done enough of it for this audience. I know there’s a ton of research out there. The biggest reason news sites do the listicles, it’s the most popular, engaging native form. The listicle has reigned supreme now for three years. I always thought the top 10 thing would die.”